

# PROPOSED RESOLUTION

Resolution W-5111  
WD

Agenda ID #15125 (Rev. 2)  
Item #5

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5111  
October 13, 2016

### RESOLUTION

(RES. W-5111), CALIFORNIA-AMERICAN WATER COMPANY (Cal-Am). ORDER AUTHORIZING THE ESTABLISHMENT OF THE PLACER COUNTY WATER AGENCY SPECIAL FACILITIES FEE AND A SPECIAL FACILITIES FEE MEMORANDUM ACCOUNT TO TRACK ALL FEES COLLECTED AND COSTS ASSOCIATED WITH PURCHASING ADDITIONAL UNITS OF WATER FROM PLACER COUNTY WATER AGENCY.

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By Advice Letter 1124, filed April 15, 2016.

### SUMMARY

By Advice Letter (AL) 1124, filed on April 15, 2016, California-American Water Company (Cal-Am) seeks to establish Special Facilities Fees and an associated memorandum account. This Resolution authorizes Cal-Am to establish a Special Facilities Fee, which will pass through the cost of new service connections to Cal-Am ratepayers, as per Cal-Am's agreement with Placer County Water Agency (PCWA) for water supply. This Resolution also authorizes Cal-Am to establish a memorandum account for the limited purpose of holding and tracking all fees collected and offset by the costs associated with purchasing additional units of water from PCWA for new service connections and water demand in excess of certain thresholds.

### BACKGROUND

On September 5, 2002, Cal-Am and PCWA signed water purchase agreement, which has since expired on December 31, 2015. In the 2002 agreement, PCWA directly charged new Cal-Am service connections a fee to supply water into Cal-Am's service territory, if those new service connections fell within a specific area as defined in the agreement.

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On July 1, 2013, Cal-Am submitted its General Rate Case (GRC) Application (A.) 13-07-002. In A. 13-07-002, Cal-Am requested to establish a memorandum account to track costs associated with the Sacramento/Placer County purchased water supply agreement in anticipation of the expiration of its 2002 purchased water agreement with PCWA, as Special Request No. 23. In Decision (D.) 15-04-007, issued on April 10, 2015, the Commission rejected Special Request No. 23 because the request did not meet the four-pronged criteria given in Standard Practice (SP) U-27-W.

On July 6, 2015, Cal-Am and PCWA signed a new water purchase agreement, which specifies that Cal-Am will pay PCWA all charges necessary to serve customers within the specified service area. The 2015 agreement states that for each new service connection, Cal-Am must pay PCWA a capacity charge when Cal-Am requires greater capacity due to increased demand or new service connections. The capacity charge covers the following components required to purchase one Unit of Capacity:<sup>1</sup> (1) a treatment component, to cover the capital costs for treatment plants, clearwell storage, and facilities for delivering untreated water to treatment plants; (2) a transmission component, to cover the costs of regional transmission facilities; and (3) a planning component, to cover the costs of regional planning efforts.

Furthermore, if customers within the service area defined by the 2015 agreement generate demand that reaches 80% of either the Maximum Delivery Rate (MDR)<sup>2</sup> or the Maximum Day Demand (MDD)<sup>3</sup>, Cal-Am shall purchase additional Units of Capacity and/or provide PCWA with a plan and implementation schedule to prevent exceeding the MDR and MDD. The cost to purchase a Unit of Capacity for new service

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<sup>1</sup> A Unit of Capacity is defined as the amount of water needed for a 5/8" meter in Zone 1 with a Maximum Day Demand of 1,150 gallons.

<sup>2</sup> The MDR is defined as the maximum instantaneous rate of flow that Cal-Am may require PCWA to deliver to serve Cal-Am's customers in the specified service area. As of March 31, 2015, the MDR in effect is 1,684 gallons per minute. The MDR shall be modified if Cal-Am purchases additional capacity, which would be triggered if customer demand met 80% of either the MDR or MDD.

<sup>3</sup> The MDD is the maximum amount of water that Cal-Am may require PCWA to deliver to Cal-Am in any day to serve Cal-Am's customers in the specified service area. As of March 31, 2015, the MDD in effect is 2,020,983 gallons per day. The MDD shall be modified if Cal-Am purchases additional capacity, which would be triggered if customer demand met 80% of either the MDR or MDD.

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connections or for additional supply is \$15,883<sup>4</sup>. After the first 3,000 Units of Capacity are purchased, PCWA will charge Cal-Am a capacity charge of \$15,320.

Although the Commission had rejected Cal-Am's request to establish a memorandum account for costs associated with pursuing a water purchase agreement with PCWA in D. 15-04-007, Cal-Am has requested again to establish a memo account for the same purposes, now that a water purchase agreement has been made with PCWA.

As such, Cal-Am filed AL 1124 as a Tier 2 AL to request to 1) establish a Special Facilities Fee to pass-through connection costs to customers with new connections within the designated area, and 2) establish a memorandum account to track all fees collected and offset by the costs associated with purchasing additional capacity from PCWA.

### NOTICE AND PROTESTS

In accordance with General Rules 4.3 and 7.2, and Water Industry Rule 4.1, of General Order (GO) 96-B, Cal-Am served copies of AL 1124 to adjacent utilities and other parties requesting such notification, on April 15, 2016. In accordance with Water Industry Rule 3.3, Cal-Am also posted the advice letter on its website.

One protest was received on May 4, 2016 by the Office of Ratepayer Advocates (ORA).

ORA recommends rejection of AL 1124 and recommends that the requested relief sought in AL 1124 is considered in Cal-Am's next General Rate Case (GRC) for the following reasons:

1) The relief requested in AL 1124 would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;

In A. 13-07-002, Cal-Am requested to establish a memorandum account to track costs associated with the Sacramento/Placer County purchased water supply. The Commission rejected Cal-Am's request in D. 15-04-007 because it did not meet the

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1. <sup>4</sup> In its comments, Cal-Am indicates that PCWA has increased the cost to purchase a Unit of Capacity from \$14,149 to \$15,883 in 2016, a 12.25% increase.

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requirements set in SP U-27-W for establishing a memorandum account. Cal-Am's request to establish the same memorandum account again in AL 1124 would violate the Commission's order in D. 15-04-007.

2) The relief requested in AL 1124 is inappropriate for the advice letter process as a Tier 2 Advice Letter.

AL 1124 requests both to establish a memorandum account and establish a new tariff to reflect the capacity charge. Although the request for a new memorandum account is appropriate as a Tier 2 AL, under Industry Rule 7.3.2 of GO 96-B, Cal-Am's request to propose a new tariff is not appropriate for a Tier 2 AL, and should at minimum, be processed by a Tier 3 AL.

### **DISCUSSION**

Based on ORA's protest and Water Division's (WD) review of AL 1124, WD has determined that Cal-Am's requests to establish a Special Facilities Fee and an associated memorandum account should be treated as a Tier 3 AL for the following reasons:

1) In accordance with Industry Rule 7.3.2 of GO 96-B, Cal-Am's request to implement a Special Facilities Fee must be processed as a Tier 3 AL;

2) Cal-Am's request to establish a memorandum account associated with Placer County purchased water agreements was previously rejected in D. 15-04-007 as Special Request No. 23. As of July 6, 2015, Cal-Am has a new purchased water agreement with PCWA, which changes how Cal-Am meets the criteria to establish a memorandum account given in SP U-27-W. The new purchased water agreement between Cal-Am and PCWA and the ensuing request to establish a memorandum account warrants review by the Commission. Furthermore, since the issues addressed in the memorandum account are tied to the requested Facilities Fee, the relief requested in AL 1124 should be processed as a Tier 3 AL; and

3) A Tier 3 AL is the most efficient and timely way to process Cal-Am's request, while providing sufficient Commission's review of the relief requested.

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### Facilities Fee Request

For each new service connection, Cal-Am requests to collect Special Facilities Fees from new customers and track the revenue received in the Special Facilities Fee Memorandum Account. When customer demand, either from existing or new users, reaches 80% of the MDD or MDR, Cal-Am will purchase several Units of Capacity from PCWA. Accordingly, the MDR and MDD will be adjusted if Cal-Am purchases additional capacity. The MDR and MDD defined in the purchased water agreement does not require Cal-Am to pay for additional capacity if the additional capacity is being used for emergency and maintenance purposes, including but not limited to fire flows, pipeline breaks, flushing flows, and testing flows.

Typically, PCWA charges its customers for capacity based on the required meter size and several cost components described in PCWA Rules Section 40901, which include treatment, storage, transmission, planning, and groundwater. PCWA's typical capacity charge for a Unit of Capacity is \$17,712.

Under the 2015 purchased water agreement, PCWA will be waiving the storage and groundwater cost components of supplying water, since PCWA will not be providing Cal-Am with additional distribution system storage capacity or groundwater capacity. PCWA will reduce the planning cost component, and assess a transmission capital improvement surcharge of \$563 per Unit of Capacity that Cal-Am purchases, to pay for PCWA's investment in infrastructure needed to wheel water through the City of Roseville's water system to Cal-Am's point of connection. With such changes, PCWA will be charging Cal-Am \$15,883 for each Unit of Capacity, which is \$1,829 less than what PCWA charges its customers for Units of Capacity. In accordance with the purchased water agreement, the capacity charge is subject to change up to one time per year. Should PCWA choose to adjust the capacity charge, PCWA will give Cal-Am at least 45 days' written notice of its intentions to consider any such changes.

WD finds that the capacity charge paid to PCWA by Cal-Am is just and reasonable. In the event that PCWA chooses to adjust the capacity charge, Cal-Am shall be allowed to file a Tier 2 advice letter to request modification of the Special Facilities Fee as needed.

Cal-Am requests to charge each new residential service connection on a sliding scale based on lot size as follows.

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| <u>Square Footage of Residential Lot</u> | <u>Percent of Unit of Capacity Cost to be Paid</u> |
|--|--|
| 0-5,000 ft <sup>2</sup>                  | 40%  |
| 5,001-8,000 ft <sup>2</sup>              | 60%  |
| 8,001-12,000 ft <sup>2</sup>             | 80%  |
| >12,000 ft <sup>2</sup>                  | To be assessed on a case by case basis             |

Cal-Am proposes to assess residential lots over 12,000 ft<sup>2</sup> individually to determine the necessary facilities fee cost. Similarly, Cal-Am also proposes to assess each non-residential water service connection on a case by case basis by each customer's indoor water needs to determine the applicable Special Facilities Fee. Conservation efforts and water use management for all new connections will also be considered in the determination of an applicable facilities fee. As set forth in Section 40902 of PCWA's Rules, Regulations, Rates and Charges Governing the Distribution and Use of Water, PCWA typically assesses the applicable facilities fee based on water use limits established by the land owner, and agreed to by PCWA. WD recommends that Cal-Am follow suit in order to minimize potential disputes in the future. All variances for the purpose of determining the applicable Special Facilities Fee must be executed by written agreement between Cal-Am and the individual developer. Additionally, all similarly situated customers shall pay similar facilities fees.

WD has reviewed Cal-Am's proposed Special Facilities Fees against PCWA's Rules, Regulations, Rates and Charges Governing the Distribution and Use of Water. WD finds Cal-Am's proposed Special Facilities Fees reasonable, but disagrees with Cal-Am's request to incorporate the Special Facilities Fees into Rules 15 and 16 of Cal-Am's tariff schedules. The Special Facilities Fee should be added to the tariff as a separate schedule to provide greater accessibility to new and current Cal-Am customers.

### **Memorandum Account Request**

In D. 15-04-007 as Special Request No. 23, Cal-Am requested to establish a memorandum account to track costs associated with the Sacramento/Placer County purchased water supply, including capacity charges assessed in a new purchased water agreement to cover the costs of capital investment. These costs include amounts attributed to negotiation, development, and implementation of a new water supply agreement. At the time of Special Request No. 23, Cal-Am had requested the memorandum account in anticipation of the expiration of its 2002 purchased water

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agreement with PCWA. The Commission rejected Special Request No. 23 because it did not meet the four-pronged criteria given in SP U-27-W:

1) The expense is caused by an event of an exceptional nature that is not under the utility's control;

The Commission determined that the expense is partially under Cal-Am's control because Cal-Am can bring "a plethora of resources and industry experience to the bargaining table".

2) The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled rate case;

The Commission determined that the expense could've reasonably been foreseen because Cal-Am has bargained with Placer County before and can estimate what the future costs might be.

3) The expense is of a substantial nature as to the amount of money involved when any offsetting costs decreases are taken into account; and

The Commission stated that Cal-Am had not identified any particular costs or projected capital expenditures that are likely to be incurred, and therefore cannot determine whether the costs will be substantial or not.

4) The ratepayers will benefit by the memorandum account treatment.

Cal-Am states that ratepayers will benefit because the memorandum account will allow them to serve water to customers in Placer County. The Commission found Cal-Am's statement to be true in the general sense, but found that Cal-Am hasn't proposed to stop negotiating with PCWA and stop the delivery of water to customers in the event that a memorandum account isn't authorized.

As of July 6, 2015, Cal-Am signed a purchased water agreement with PCWA. Due to the nature of the agreement, Cal-Am again requests establishment of a memorandum account to track all fees collected and offset by the costs associated with purchasing additional units of water from PCWA if water demand from Cal-Am customers reaches 80% of either the MDR or MDD.

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Cal-Am states that the circumstances for requesting to establish a memorandum account are different now because the costs that were requested to be tracked per Special Request No. 23 were amounts attributed to negotiation, development, and implementation of the new agreement. Cal-Am states that under the 2015 water purchase agreement, Cal-Am is expecting to purchase many Units of Capacity for new service connections and demand, since significant growth is expected within the Placer County service area, and states that it meets the following criteria:

1) The expense is caused by an event of an exceptional nature that is not under the utility's control;

The expense is exceptional in nature because Cal-Am cannot project if or when customer water demands will exceed 80% of the established MDR or MDD due to water usage.

2) The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled rate case;

The expense couldn't have been reasonably foreseen in Cal-Am's last GRC filed in 2013, because there were no instances that required Cal-Am to purchase additional water from PCWA at the time, since the 2002 purchased water agreement was still in effect. The 2015 purchased water agreement was signed on July 6, 2015, so the expenses will occur prior to a decision in Cal-Am's 2016 GRC.

3) The expense is of a substantial nature as to the amount of money involved when any offsetting costs decreases are taken into account; and

| Cal-Am will pay PCWA \$15,883 for each Unit of Capacity purchased. Cal-Am states that the expenses will be substantial since Cal-Am is anticipating significant growth within the Placer County service area.

4) The ratepayers will benefit by the memorandum account treatment.

By establishing a memorandum account, Cal-Am can track all costs associated with purchasing additional Units of Capacity due to customer demand. By doing so, Cal-Am can meet customer needs and ensure that customers have access to clean potable surface water.



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Like ORA, WD disagrees with Cal-Am's assertion that Special Request No. 23 in D. 15-04-007 was to specifically track amounts attributed to negotiation, development, and implementation of the new agreement. D. 15-04-007 states that the requested memorandum account was to also track capacity charges assessed in the agreement to cover the costs of capital investment.

Nevertheless, we find that the requested relief in AL 1124 is reasonable because the expenses that will be incurred are not within Cal-Am's control and will be substantial, due to anticipated customer growth and demand within the area designated by the purchased water agreement.

The Special Facilities Fee Memorandum Account should show incoming payments from Cal-Am customers for the cost of new service connections. The memorandum account should also show all expenses paid to PCWA for capacity charges for new service connections and expenses paid to PCWA for the purchase of additional Units of Capacity in event that customer demand exceeds 80% of MDD or MDR.

If the under collection in the Special Facilities Fee Memorandum Account exceeds 2% of the gross operating revenue authorized, then Cal-Am may file a Tier 2 Advice letter requesting recovery. The Commission has long recognized the rate design principle of cost causation where costs should be allocated on the basis of factors that cause the cost to be incurred (See D. 16-06-056 and D. 15-07-001). As such, WD finds that the cost-causation principle persuasively argues that customers within the West Placer Service Area designated by the 2015 purchased water agreement that are responsible for Cal-Am acquiring more Units of Capacity than have been funded through the Special Facilities Fee should be responsible for the amortization of any under collections in the Special Facilities Fee Memorandum Account. If Cal-Am seeks recovery of any under collections in the Special Facilities Fee Memorandum Account, it has the burden to show which customers have exceeded their monthly demand targets and are responsible for Cal-Am having to acquire additional Units of Capacity. Cal-Am should propose an equitable allocation for the cost amortization among those customers. Should existing customers' demand trigger the need to purchase additional Units of Capacity, Cal-Am shall compare the usage of existing customers to the usage of existing customers in 2014. For further amortizations of the Special Facilities Fee Memorandum Account, Cal-Am shall consider the difference between the current usage and the usage during the most recent amortization of the surcharge when calculating the new surcharge.

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### **COMMENTS**

Public Utilities Code Section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, this draft resolution was mailed to parties on August 30, 2016 for comment.

Late filed comments were received by Cal-Am on September 26, 2016. In its comments, Cal-Am stated that 1) WD had mistakenly authorized a flat Special Facilities Fee of \$15,883 for all connections, regardless of estimated usage, and 2) WD had proposed an unworkable surcharge, which would unreasonably burden certain customers.

WD has reviewed Cal-Am's comments and has incorporated and addressed Cal-Am's concerns in this resolution.

### **FINDINGS AND CONCLUSIONS**

1. By Advice Letter (AL) 1124 filed on April 15, 2016, California-American Water Company (Cal-Am), a Class A water utility, seeks authorization to establish Special Facilities Fees to pass through the cost of new service connections to Cal-Am ratepayers from Placer County Water Agency(PCWA), and to establish an associated memorandum account for the limited purpose of holding and tracking all fees collected and offset by the costs associated with purchasing additional units of water from PCWA if water demand from Cal-Am customers reaches certain thresholds.
2. Industry Rule 7.3.2 of General Order (GO) 96-B, states that requests proposing new tariffs, such as a new Facilities Fee, should, at minimum, be processed by a Tier 3 AL.
3. Cal-Am's request for a Special Facilities Fee was improperly filed as a Tier 2 AL.

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4. Cal-Am requested to establish a Special Facilities Fee Memorandum Account in its last General Rate Case (GRC) as Special Request No. 23 in Decision (D.) 15-04-007.
5. In D. 15-04-007, the Commission rejected Cal-Am's Special Request No. 23 because it did not meet the criteria for establishing a new memorandum account, as outlined in Standard Practice (SP) U-27-W.
6. One protest by the Office of Ratepayer Advocates (ORA) was received on May 4, 2016.
7. ORA's states that 1) the relief requested in AL 1124 would violate statute or Commission order because the Commission rejected Cal-Am's request to establish a memorandum account for the same purpose in Decision (D.) 15-04-007, and 2) the relief requested in AL 1124 is inappropriate for the advice letter process as a Tier 2 AL because new tariffs, such as a Facilities Fee, must be processed at minimum, by a Tier 3 AL.
8. ORA recommends that AL 1124 is rejected without prejudice, and that the relief requested in AL 1124 is incorporated into Cal-Am's upcoming GRC application.
9. The Water Division (WD) determined that AL 1124 should be processed as a Tier 3 AL. WD finds that 1) the request to establish a memorandum account and Facilities Fees should be treated together in the same AL since the issues are linked, 2) since the request to establish a memorandum account has been rejected previously, the request to establish the memorandum account once again under different circumstances warrants Commission review, 3) Facilities Fees require review at minimum by a Tier 3 AL, and 4) the Tier 3 AL process is the most efficient and timely way to review the relief requested in AL 1124, while providing sufficient Commission oversight.
10. PCWA and Cal-Am signed a new water purchase agreement on July 6, 2015. The agreement states if Cal-Am customer demand within the designated service area exceeds 80% of the Maximum Day Demand (MDD) or the Maximum Delivery Rate (MDR), Cal-Am shall purchase several Units of Capacity if PCWA has the ability to do so. If PCWA does not have the ability to deliver additional capacity, PCWA may restrict delivery to the contract maximums in effect at that time.

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11. Cal-Am will pay PCWA \$15,883 for each Unit of Capacity required, if customer demand within the designated service area exceeds 80% of the MDR or MDD. After the first 3,000 Units of Capacity purchased, Cal-Am will pay PCWA \$15,320 for each additional Unit of Capacity. The cost for each Unit of Capacity may be subject to change once a year, depending on Section 40901 of PCWA's Rules, Regulations, Rates and Charges Governing the Distribution and Use of Water. In the event that PCWA raises the cost of each Unit of Capacity, Cal-Am shall file a Tier 2 advice letter to request modification of the Special Facilities Fee as needed.
12. Cal-Am requests Commission approval to implement a Special Facilities Fee for all new service connections within the designated area. For new residential service connections, Cal-Am proposes implementing Special Facilities Fees on a sliding scale based on lot size. For large lots and new non-residential service connections, Cal-Am proposes setting a Special Facilities Fee on a case by case basis. Cal-Am states that conservation efforts will be taken into account when determining the applicable Special Facilities Fee. To minimize potential disputes, all variances for the purpose of determining the applicable Special Facilities Fee must be executed by written agreement between Cal-Am and the individual developer. Additionally, all similarly situated customers shall pay similar facilities fees. WD has reviewed the requested Special Facilities Fee against PCWA's Rules, Regulations, Rates and Charges Governing the Distribution and Use of Water, and finds Cal-Am's request reasonable and just.
13. Cal-Am states that its request to establish a memorandum account to track all fees collected and offset by the costs associated with purchasing additional units of water from PCWA meets the criteria to establish a memorandum account set forth in Standard Practice (SP) U-27-W: 1) the expense is exceptional in nature because Cal-Am cannot project whether customer demands will exceed 80% of the MDD or MDR and trigger the requirement to purchase additional Units of Capacity, 2) the expense could not have been reasonably foreseen in Cal-Am's 2013 GRC and will occur before Cal-Am's upcoming GRC, 3) the expense is expected to be substantial due to significant growth within the designated service area, and 4) the memorandum account will benefit customers by allowing Cal-Am to meet customer needs and ensure customers have an adequate supply of clean potable water.

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14. WD has reviewed the requested memorandum account and finds it reasonable and just. The memorandum account should track revenues collected from new service connections, and all expenses paid to PCWA for purchasing additional Units of Capacity when customer demand exceeds 80% of MDD or MDR. To ensure that any additional revenues received have been utilized properly, the balance in the Special Facilities Fee Memorandum Account should be reviewed in each GRC.
15. WD received late filed comments from Cal-Am regarding Proposed Resolution W-5111. Accordingly, WD has incorporated Cal-Am's comments as needed.

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### THEREFORE, IT IS ORDERED THAT:

1. California-American Water Company's Advice Letter 1124 requesting Commission authorization to establish the Special Facilities Fee Memorandum Account for its Sacramento service area is approved as set forth in this Resolution. The Preliminary Statement for the new memorandum account is attached to this Resolution as Appendix A.
2. California-American Water Company's Advice Letter 1124 requesting Commission authorization to establish the Special Facilities Fee Schedule for its Sacramento service area is approved as set forth in this Resolution. The Special Facilities Fee Schedule is attached to this Resolution as Appendix B.
3. The Special Facilities Fee Memorandum Account and Special Facilities Fee Schedule attached in Appendices A and B, respectively, are adopted. The effective date of the Memorandum Account and Special Facilities Fee Schedule is the effective date of this Resolution.
4. This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 13, 2016; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director

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## APPENDIX A PRELIMINARY STATEMENT

### BG. Special Facilities Fee Memorandum Account.

1. **PURPOSE:** The Memorandum Account will be used to record all of the costs associated with purchasing additional capacity from Placer County Water Agency (PCWA). These costs will be offset by the total amount of the contributions made to the company by customers. If Cal-Am's customer in the service area's potable surface water demand reaches the Maximum Delivery Rate of 80 percent or Maximum Day Demand, Cal-Am can purchase additional capacity to accommodate the increased volume and flows. In addition, it will include all earnings from the allowance for funds used during construction (AFUDC).
2. **APPLICABILITY:** This schedule is applicable to the West Placer Service Area designated in the 2015 water purchase agreement with Placer County Water Agency in Cal-Am's Sacramento District.
3. **RATES:**
  - a. The cost of a Unit of Capacity from PCWA is as follows:

| Component:                | Amount for first<br>3,000 Connections | Amount after<br>first 3,000<br>Connections |
|---------------------------|---------------------------------------|--|
| Treatment                 | \$10,096                              | \$10,096                                   |
| Storage                   | \$0                                   | \$0  |
| Transmission              | \$5,136                               | \$5,136                                    |
| Planning                  | \$88                                  | \$88                                       |
| Transmission<br>Surcharge | \$563                                 | \$0  |
| Total                     | \$15,883                              | \$15,320                                   |

- b. The water connection charges for residential and non-residential customers is given in Special Facilities Fee Schedule, West Placer Service Area Unit of Capacity Charge.

4. **ACCOUNTING PROCEDURE:**
  - a. The following entries shall be recorded to the memorandum account:

(Continued)

- 1) A credit entry equal to the Facilities Fees received for each new service connection in the West Placer County Service Area.

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2) A debit entry equal to the costs incurred for purchasing additional water capacity from PCWA.

3) A debit or credit entry equal to the interest on the balance in the account at the beginning of the month and half the balance after the above entries, at a rate equal to one-twelfth of the rate on 90 day Commercial paper, as reported in the Federal Reserve Statistical Release, H. 15 or its successor.

5) A credit entry will be made to transfer the balances to the appropriate account for the applicable district.

5. RATEMAKING PROCEDURE

a. The PCWA's assumed meter size and capacity require for a typical Zone 1 dwelling unit is 5/8 inch with a maximum day demand of 1,150 gallons (Unit of Capacity). The Maximum Day Demand shall be increased by 1,150 gallons per day, and the Maximum Delivery Rate shall be increased by 0.80 gallons per minute, for each unit of additional capacity purchased by Cal-Am.

END APPENDIX A



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## APPENDIX B SPECIAL FACILITIES FEE SCHEDULE

### APPLICABILITY

This schedule applies to all requests by individuals, groups, companies, and other parties requesting a new service connection in the West Placer service area designated by the 2015 water purchase agreement with Placer County Water Agency (PCWA) in Cal-Am's Sacramento District.

### TERRITORY

This schedule is applicable to the West Placer service area in Cal-Am's Sacramento District.

### RATES

a. A unit of capacity charge will be required for all new service connections in the West Placer service area to ensure that water availability is secured from PCWA. The fee will be set forth using the following conditions.

b. The fee will be based on PCWA's charge to Cal-Am for each Unit of Capacity.

c. Per the 2015 Water Purchase Agreement between PCWA and Cal-Am, the charge may change up to one time per year based on PCWA's calculated cost of each additional Unit of Capacity.

d. The definition of a Unit of Capacity is the use of 1,150 gallons of water per day and is subject to change based on PCWA's Rules, Regulations, and Charges.

e. The current charge applicable to each additional Unit of Capacity to Cal-Am is:

\_\_\_\_\_ \$15,883 per Unit of Capacity

f. The determination of an applicable fee to charge each new residential water service connection in the West Placer service area will be based on the following criteria:

| <u>Square Footage of Residential Lot</u> | <u>Percent of Unit of Capacity Cost to be Paid</u> |
|--|--|
| 0-5,000 ft <sup>2</sup>                  | 40%  |
| 5,001-8,000 ft <sup>2</sup>              | 60%  |
| 8,001-12,000 ft <sup>2</sup>             | 80%  |
| >12,000 ft <sup>2</sup>                  | To be assessed on a case by case basis             |

Variances as to the above will be based on the following considerations:

1. Use of reclaimed water on the property
2. Allowed irrigated space
3. Use of water savings or conservation efforts beyond those considered industry standards
4. Other water savings reductions that may be applicable

All variances must be executed by written agreement between Cal-Am and the individual developer. All similarly situated customers shall pay similar facilities fees.

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g. The determination of an applicable fee to charge each new non-residential water service connection in the West Placer service area will be based on the following criteria:

1. The projected annual daily average water use for each non-residential connection will be individually determined through an agreement between Cal-Am and the individual developer.
2. Each new non-residential connection will assess the water use needs on the property much the same as with residential connections and will consider the following:
  - a. Use of reclaimed water on the property
  - b. Allowed irrigated space
  - c. Use of water savings or conservation efforts beyond those considered industry standards
  - d. Other water savings reductions that may be applicable
  - e. Indoor water needs

### SPECIAL CONDITIONS

- 1) Facilities fees are applicable to metered rate service for the size meter shown.
- 2) Facilities fees are payable in addition to and do not limit any charges for extensions of mains that maybe applicable under Rule 15, Main Extensions.
- 3) Payments made under this schedule **are not** subject to the reimbursement fee set forth in Schedule No. UF.
- 4) All variances must be executed by written agreement between Cal-Am and the individual developer.
- 5) All similarly situated customers shall pay similar facilities fees.

END APPENDIX B

# PROPOSED RESOLUTION

Resolution W-5111  
WD

October 13, 2016 (Rev. 2)

## CALIFORNIA-AMERICAN WATER COMPANY ADVICE LETTER NO. 1124 SERVICE LIST

### **By Mail:**

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Robert A. Ryan, Jr.  
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California Dept. of Health Services  
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Sacramento, CA 95899-7413

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Mark Norris  
County Clerk-Recorder  
County of Sacramento  
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Sacramento Suburban Water District  
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### **By E-Mail:**

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## PROPOSED RESOLUTION

**Resolution W-5111**  
**WD**

**October 13, 2016 (Rev. 2)**

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